



HEALTH ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2004  
OF THE CONDITION AND AFFAIRS OF THE

Priority Health

NAIC Group Code	3383	3383	NAIC Company Code	95561	Employer's ID Number	38-2715520
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [ ]		Property/Casualty [ ]		Dental Service Corporation [ ]	
	Vision Service Corporation [ ]		Other [ ]		Health Maintenance Organization [ X ]	
	Hospital, Medical & Dental Service or Indemnity [ ]		Is HMO, Federally Qualified? Yes [ ] No [ X ]			
Incorporated	03/07/1986		Commenced Business	10/15/1986		
Statutory Home Office	1231 East Beltline NE			Grand Rapids, MI 49525-4501		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	1231 East Beltline NE					
	Grand Rapids, MI 49525-4501			616-464-8235		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	1231 East Beltline NE			Grand Rapids, MI 49525-4501		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	1231 East Beltline NE					
	Grand Rapids, MI 49525-4501			616-464-8235		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Internet Website Address	www.priority-health.com					
Statutory Statement Contact	Malcolm Hall			616-464-8235		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	malcolm.hall@priority-health.com			616-942-7916		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact						
	(Street and Number)					
	(City or Town, State and Zip Code)					
	(Area Code) (Telephone Number) (Extension)					

OFFICERS

Name	Title	Name	Title
Kimberly K Horn	Chief Executive Officer	Judith W Hooyenga	Secretary
Dennis J Reese	Chief Financial Officer		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Richard C. Breon	Joseph L Brock	Harold E Burrell	Gaylen J Byker
Craig H Bethune #	Kenneth J Fawcett	Michael P Freed	Jon M Gans
David E Gast	Gail D Gwizdala	Jerold R Harwood	Robert W Roth #
Nicholas P Kokx	Lynn M Kotecki	Peter B Lundeen	Charles E McCallum
Timothy V Smith	Hilary F Snell	Dale M Sowders	Jody D Vanderwel
Thomas J Wesholski	David B Johnson	Dennis Aloia	Daniel H Baldwin
Stephen W Burkhammer			

State of .....Michigan.....  
County of .....Kent.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Kimberly K Horn Chief Executive Officer	Judith W Hooyenga Secretary	Dennis J Reese Chief Financial Officer
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Subscribed and sworn to before me this 28th day of February, 2005	a. Is this an original filing? Yes [ X ] No [ ] b. If no, 1. State the amendment number 2. Date filed 03/01/2005 3. Number of pages attached
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Cheryl Britcher  
Executive Administrative Assistant  
12/30/2005

## ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

## EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

[illegible]

## EXHIBIT 3 - HEALTH CARE RECEIVABLES

[illegible]

**EXHIBIT 4 – CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

[illegible]

## ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

## EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

## ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

## EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

## EXHIBIT 7 PART 1- SUMMARY OF TRANSACTIONS WITH PROVIDERS

## EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

# NONE

EXHIBIT 8 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED

	1	2	3	4	5	6
Description	Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1. Administrative furniture and equipment .....	4,239,144		4,231,358	7,786	7,786	0
2. Medical furniture, equipment and fixtures .....						
3. Pharmaceuticals and surgical supplies .....						
4. Durable medical equipment .....						
5. Other property and equipment	7,337,285		7,216,029	121,256	121,256	0
6. Total	11,576,429	0	11,447,387	129,042	129,042	0





ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION Priority Health 2. \_\_\_\_\_

NAIC Group Code		3383		BUSINESS IN THE STATE OF Michigan		DURING THE YEAR 2004								NAIC Company Code		95561	
		1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13			
			2	3													
		Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other			
Total Members at end of:																	
1. Prior Year .....		335,480	786	334,694													
2. First Quarter .....		354,266	792	353,474													
3. Second Quarter .....		356,090	855	355,235													
4. Third Quarter .....		358,953	852	358,101													
5. Current Year		363,563	862	362,701													
6. Current Year Member Months		4,283,334	10,045	4,273,289													
Total Member Ambulatory Encounters for Year:																	
7. Physician .....		2,368,822	5,555	2,363,267													
8. Non-Physician .....		64,233	151	64,082													
9. Total		2,433,055	5,706	2,427,349	0	0	0	0	0	0	0	0	0	0			
10. Hospital Patient Days Incurred		74,365	174	74,191													
11. Number of Inpatient Admissions		19,794	46	19,748													
12. Health Premiums Written.....		939,283,100	2,842,226	936,440,874													
13. Life Premiums Direct .....		0															
14. Property/Casualty Premiums Written.....		0															
15. Health Premiums Earned.....		936,875,019	2,834,940	934,040,079													
16. Property/Casualty Premiums Earned.....		0															
17. Amount Paid for Provision of Health Care Services .....		796,828,839	3,361,221	793,444,806						22,812							
18. Amount Incurred for Provision of Health Care Services		799,539,130	3,372,071	796,161,929						5,130							

(a) For health business: number of persons insured under PPO managed care products \_\_\_\_\_ and number of persons under indemnity only products \_\_\_\_\_

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ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION Priority Health 2. \_\_\_\_\_ (LOCATION)

NAIC Group Code	3383	BUSINESS IN THE STATE OF Consolidated			DURING THE YEAR 2004							NAIC Company Code		95561
	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13	
		2	3											
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other	
<b>Total Members at end of:</b>														
1. Prior Year .....	335,480	786	334,694	0	0	0	0	0	0	0	0	0	0	
2. First Quarter .....	354,266	792	353,474	0	0	0	0	0	0	0	0	0	0	
3. Second Quarter .....	356,090	855	355,235	0	0	0	0	0	0	0	0	0	0	
4. Third Quarter .....	358,953	852	358,101	0	0	0	0	0	0	0	0	0	0	
5. Current Year	363,563	862	362,701	0	0	0	0	0	0	0	0	0	0	
6. Current Year Member Months	4,283,334	10,045	4,273,289	0	0	0	0	0	0	0	0	0	0	
<b>Total Member Ambulatory Encounters for Year:</b>														
7. Physician .....	2,368,822	5,555	2,363,267	0	0	0	0	0	0	0	0	0	0	
8. Non-Physician .....	64,233	151	64,082	0	0	0	0	0	0	0	0	0	0	
9. Total	2,433,055	5,706	2,427,349	0	0	0	0	0	0	0	0	0	0	
10. Hospital Patient Days Incurred	74,365	174	74,191	0	0	0	0	0	0	0	0	0	0	
11. Number of Inpatient Admissions	19,794	46	19,748	0	0	0	0	0	0	0	0	0	0	
12. Health Premiums Written.....	939,283,100	2,842,226	936,440,874	0	0	0	0	0	0	0	0	0	0	
13. Life Premiums Direct .....	0	0	0	0	0	0	0	0	0	0	0	0	0	
14. Property/Casualty Premiums Written.....	0	0	0	0	0	0	0	0	0	0	0	0	0	
15. Health Premiums Earned.....	936,875,019	2,834,940	934,040,079	0	0	0	0	0	0	0	0	0	0	
16. Property/Casualty Premiums Earned.....	0	0	0	0	0	0	0	0	0	0	0	0	0	
17. Amount Paid for Provision of Health Care Services .....	796,828,839	3,361,221	793,444,806	0	0	0	0	0	22,812	0	0	0	0	
18. Amount Incurred for Provision of Health Care Services	799,539,130	3,372,071	796,161,929	0	0	0	0	0	5,130	0	0	0	0	

(a) For health business: number of persons insured under PPO managed care products 0 and number of persons under indemnity only products 0

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SCHEDULE A - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value, December 31, prior year (prior year statement)	554,388
2. Increase (decrease) by adjustment:	
2.1 Totals, Part 1, Column 11	(150,264)
2.2 Totals, Part 3, Column 7	0
3. Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9)	0
4. Cost of additions and permanent improvements:	
4.1 Totals, Part 1, Column 14	0
4.2 Totals, Part 3, Column 9	0
5. Total profit (loss) on sales, Part 3, Column 14	0
6. Increase (decrease) by foreign exchange adjustment:	
6.1 Totals, Part 1, Column 12	0
6.2 Totals, Part 3, Column 8	0
7. Amounts received on sales, Part 3, Column 11 and Part 1, Column 13	0
8. Book/adjusted carrying value at end of current period	404,124
9. Total valuation allowance	
10. Subtotal (Lines 8 plus 9)	404,124
11. Total nonadmitted amounts	181,856
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	222,268

SCHEDULE B - VERIFICATION BETWEEN YEARS

1. Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year	0
2. Amount loaned during year:	
2.1 Actual cost at time of acquisitions	
2.2 Additional investment made after acquisitions	0
3. Accrual of discount and mortgage interest points and commitment fees	
4. Increase (decrease) by adjustment	
5. Total profit (loss) on sale	
6. Amounts paid on account or in full during the year	
7. Amortization of premium	
8. Increase (decrease) by foreign exchange adjustment	
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	0
10. Total valuation allowance	
11. Subtotal (Lines 9 plus 10)	0
12. Total nonadmitted amounts	
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0

SCHEDULE BA - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	5,194,341
2. Cost of acquisitions during year:	
2.1 Actual cost at time of acquisitions	7,800,000
2.2 Additional investment made after acquisitions	3,000,000 10,800,000
3. Accrual of discount	
4. Increase (decrease) by adjustment	(776,965)
5. Total profit (loss) on sale	
6. Amounts paid on account or in full during the year	
7. Amortization of premium	
8. Increase (decrease) by foreign exchange adjustment	
9. Book/adjusted carrying value of long-term invested assets at end of current period	15,217,376
10. Total valuation allowance	
11. Subtotal (Lines 9 plus 10)	15,217,376
12. Total nonadmitted amounts	
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	15,217,376

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1	60,980,541	19,406,593	3,202,287	448,885	86,965	84,125,271	33.2	62,363,094	53.7	84,125,271	
1.2 Class 2	0	0	0	0	0	0	0.0	0	0.0	0	
1.3 Class 3						0	0.0	0	0.0		
1.4 Class 4						0	0.0	0	0.0		
1.5 Class 5						0	0.0	0	0.0		
1.6 Class 6						0	0.0	0	0.0		
1.7 Totals	60,980,541	19,406,593	3,202,287	448,885	86,965	84,125,271	33.2	62,363,094	53.7	84,125,271	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1						0	0.0	0	0.0		
2.2 Class 2						0	0.0	0	0.0		
2.3 Class 3						0	0.0	0	0.0		
2.4 Class 4						0	0.0	0	0.0		
2.5 Class 5						0	0.0	0	0.0		
2.6 Class 6						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1						0	0.0	0	0.0		
3.2 Class 2						0	0.0	0	0.0		
3.3 Class 3						0	0.0	0	0.0		
3.4 Class 4						0	0.0	0	0.0		
3.5 Class 5						0	0.0	0	0.0		
3.6 Class 6						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1			174,642			174,642	0.1	174,605	0.2	174,642	
4.2 Class 2						0	0.0	0	0.0		
4.3 Class 3						0	0.0	0	0.0		
4.4 Class 4						0	0.0	0	0.0		
4.5 Class 5						0	0.0	0	0.0		
4.6 Class 6						0	0.0	0	0.0		
4.7 Totals	0	0	174,642	0	0	174,642	0.1	174,605	0.2	174,642	0
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1	8,136,617	17,152,435	7,327,425	3,554,179	362,045	36,532,701	14.4	19,957,293	17.2	36,532,701	
5.2 Class 2	0	0	0	0	0	0	0.0	0	0.0	0	
5.3 Class 3						0	0.0	0	0.0		
5.4 Class 4	0	0				0	0.0	0	0.0	0	
5.5 Class 5						0	0.0	0	0.0		
5.6 Class 6						0	0.0	0	0.0		
5.7 Totals	8,136,617	17,152,435	7,327,425	3,554,179	362,045	36,532,701	14.4	19,957,293	17.2	36,532,701	0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1 .....		.0				.0	.0	.0	.0	.0	
6.2 Class 2 .....		311,977				311,977	.1	.0	.0	311,977	
6.3 Class 3 .....						.0	.0	.0	.0		
6.4 Class 4 .....						.0	.0	.0	.0		
6.5 Class 5 .....						.0	.0	.0	.0		
6.6 Class 6 .....						0	.0	0	.0		
6.7 Totals	0	311,977	0	0	0	311,977	0.1	0	0.0	311,977	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1 .....	81,243,757	29,183,762	11,696,491	536,699		122,660,709	48.3	29,559,385	25.5	122,660,708	
7.2 Class 2 .....	3,162,800	3,663,227	3,069,881			9,895,908	3.9	4,080,671	3.5	9,895,909	
7.3 Class 3 .....						.0	.0	.0	.0		
7.4 Class 4 .....						.0	.0	.0	.0		
7.5 Class 5 .....	.0	.0	.0	.0		.0	.0	.0	.0	.0	
7.6 Class 6 .....						0	.0	0	.0		
7.7 Totals	84,406,557	32,846,989	14,766,372	536,699	0	132,556,617	52.2	33,640,056	29.0	132,556,617	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1 .....						.0	.0	.0	.0		
8.2 Class 2 .....						.0	.0	.0	.0		
8.3 Class 3 .....						.0	.0	.0	.0		
8.4 Class 4 .....						.0	.0	.0	.0		
8.5 Class 5 .....						.0	.0	.0	.0		
8.6 Class 6 .....						0	.0	0	.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1 .....						.0	.0	.0	.0		
9.2 Class 2 .....						.0	.0	.0	.0		
9.3 Class 3 .....						.0	.0	.0	.0		
9.4 Class 4 .....						.0	.0	.0	.0		
9.5 Class 5 .....						.0	.0	.0	.0		
9.6 Class 6 .....						0	.0	0	.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

	1	2	3	4	5	6	7	8	9	10	11
Quality Rating per the NAIC Designation	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 6 as a % of Line 10.7	Total from Col. 6 Prior Year	% From Col. 7 Prior Year	Total Publicly Traded	Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1 .....	150,360,915	65,742,790	22,400,845	4,539,763	449,010	243,493,323	96.0	XXX	XXX	243,493,322	.0
10.2 Class 2 .....	3,162,800	3,975,204	3,069,881	.0	.0	10,207,885	4.0	XXX	XXX	10,207,886	.0
10.3 Class 3 .....	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.4 Class 4 .....	.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.5 Class 5 .....	.0	.0	.0	.0	.0	(c) .0	0.0	XXX	XXX	.0	.0
10.6 Class 6 .....	0	0	0	0	0	(c) 0	0.0	XXX	XXX	0	0
10.7 Totals .....	153,523,715	69,717,994	25,470,726	4,539,763	449,010	(b) 253,701,208	100.0	XXX	XXX	253,701,208	.0
10.8 Line 10.7 as a % of Col. 6	60.5	27.5	10.0	1.8	0.2	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Class 1 .....	62,235,543	40,439,268	8,390,819	901,775	86,972	XXX	XXX	112,054,377	96.5	112,054,377	.0
11.2 Class 2 .....	.0	1,830,538	2,250,133	.0	.0	XXX	XXX	4,080,671	3.5	4,080,671	.0
11.3 Class 3 .....	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.4 Class 4 .....	.0	.0	.0	.0	.0	XXX	XXX	.0	0.0	.0	.0
11.5 Class 5 .....	.0	.0	.0	.0	.0	XXX	XXX	(c) .0	0.0	.0	.0
11.6 Class 6 .....	0	0	0	0	0	XXX	XXX	(c) .0	0.0	0	0
11.7 Totals .....	62,235,543	42,269,806	10,640,952	901,775	86,972	XXX	XXX	(b) 116,135,048	100.0	116,135,048	.0
11.8 Line 11.7 as a % of Col. 8	53.6	36.4	9.2	0.8	0.1	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Class 1 .....	150,360,915	65,742,790	22,400,845	4,539,763	449,010	243,493,323	96.0	112,054,377	96.5	243,493,323	XXX
12.2 Class 2 .....	3,162,800	3,975,205	3,069,881	.0	.0	10,207,886	4.0	4,080,671	3.5	10,207,886	XXX
12.3 Class 3 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.4 Class 4 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.5 Class 5 .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	.0	XXX
12.6 Class 6 .....	.0	.0	.0	.0	.0	0	0.0	0	0.0	0	XXX
12.7 Totals .....	153,523,715	69,717,995	25,470,726	4,539,763	449,010	253,701,209	100.0	116,135,048	100.0	253,701,209	XXX
12.8 Line 12.7 as a % of Col. 6	60.5	27.5	10.0	1.8	0.2	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	60.5	27.5	10.0	1.8	0.2	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Class 1 .....						.0	0.0	.0	0.0	XXX	.0
13.2 Class 2 .....						.0	0.0	.0	0.0	XXX	.0
13.3 Class 3 .....						.0	0.0	.0	0.0	XXX	.0
13.4 Class 4 .....						.0	0.0	.0	0.0	XXX	.0
13.5 Class 5 .....						.0	0.0	.0	0.0	XXX	.0
13.6 Class 6 .....						0	0.0	0	0.0	XXX	0
13.7 Totals .....	.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

(a) Includes \$ ..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes \$ ..... current year, \$ ..... prior year of bonds with Z designations and \$ ..... , current year, \$ ..... prior year of bonds with Z\* designations. The letter “Z” means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. “Z\*” means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.

(c) Includes \$ ..... current year, \$ ..... prior year of bonds with 5\* designations and \$ ..... , current year, \$ ..... prior year of bonds with 6\* designations. “5\*” means the NAIC designation was assigned by the SVO in reliance on the insurer’s certification that the issuer is current in all principal and interest payments. “6\*” means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
<b>1. U.S. Governments, Schedules D &amp; DA (Group 1)</b>											
1.1 Issuer Obligations	60,803,503	18,325,866	2,510,620			81,639,989	32.2	62,363,094	53.7	81,639,989	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities	177,038	1,080,727	691,667	448,885	86,965	2,485,282	1.0	0	0.0	2,485,282	
1.7 Totals	60,980,541	19,406,593	3,202,287	448,885	86,965	84,125,271	33.2	62,363,094	53.7	84,125,271	0
<b>2. All Other Governments, Schedules D &amp; DA (Group 2)</b>											
2.1 Issuer Obligations						.0	0.0	.0	0.0		
2.2 Single Class Mortgage-Backed/Asset-Backed Securities						.0	0.0	.0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
2.3 Defined						.0	0.0	.0	0.0		
2.4 Other						.0	0.0	.0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
2.5 Defined						.0	0.0	.0	0.0		
2.6 Other						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
<b>3. States, Territories, and Possessions Guaranteed, Schedules D &amp; DA (Group 3)</b>											
3.1 Issuer Obligations						.0	0.0	.0	0.0		
3.2 Single Class Mortgage-Backed/Asset-Backed Securities						.0	0.0	.0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
3.3 Defined						.0	0.0	.0	0.0		
3.4 Other						.0	0.0	.0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
3.5 Defined						.0	0.0	.0	0.0		
3.6 Other						0	0.0	0	0.0		
3.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
<b>4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D &amp; DA (Group 4)</b>											
4.1 Issuer Obligations			174,642			174,642	0.1	174,605	0.2	174,642	
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						.0	0.0	.0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
4.3 Defined						.0	0.0	.0	0.0		
4.4 Other						.0	0.0	.0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
4.5 Defined						.0	0.0	.0	0.0		
4.6 Other						0	0.0	0	0.0		
4.7 Totals	0	0	174,642	0	0	174,642	0.1	174,605	0.2	174,642	0
<b>5. Special Revenue &amp; Special Assessment Obligations etc., Non-Guaranteed, Schedules D &amp; DA (Group 5)</b>											
5.1 Issuer Obligations	3,940,210	1,757,345				5,697,555	2.2	6,529,437	5.6	5,697,555	
5.2 Single Class Mortgage-Backed/Asset-Backed Securities	3,971,611	14,151,082	7,327,425	3,554,179	362,045	29,366,342	11.6	12,899,753	11.2	29,366,342	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES											
5.3 Defined	224,797	1,244,008				1,468,805	0.6	528,103	0.5	1,468,804	
5.4 Other						.0	0.0	.0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES											
5.5 Defined						.0	0.0	.0	0.0		
5.6 Other						0	0.0	0	0.0		
5.7 Totals	8,136,618	17,152,435	7,327,425	3,554,179	362,045	36,532,702	14.4	19,957,293	17.3	36,532,701	0

ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Col. 6 as a % of Line 10.7	8 Total from Col. 6 Prior Year	9 % From Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
<b>6. Public Utilities (Unaffiliated), Schedules D &amp; DA (Group 6)</b>											
6.1 Issuer Obligations .....		311,977				311,977	0.1	0	0.0	311,977	
6.2 Single Class Mortgage-Backed/Asset-Based Securities .....						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
6.3 Defined .....						0	0.0	0	0.0		
6.4 Other .....						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
6.5 Defined .....						0	0.0	0	0.0		
6.6 Other .....						0	0.0	0	0.0		
6.7 Totals	0	311,977	0	0	0	311,977	0.1	0	0.0	311,977	0
<b>7. Industrial &amp; Miscellaneous (Unaffiliated), Schedules D &amp; DA (Group 7)</b>											
7.1 Issuer Obligations .....	83,023,113	24,231,860	12,159,817	496,014		119,910,804	47.3	32,295,107	27.8	119,910,804	
7.2 Single Class Mortgage-Backed/Asset-Based Securities .....						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
7.3 Defined .....						0	0.0	0	0.0		
7.4 Other .....						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
7.5 Defined .....	1,383,444	8,615,129	2,606,555	40,685		12,645,813	5.0	1,343,156	1.2	12,645,813	
7.6 Other .....						0	0.0	1,792	0.0		
7.7 Totals	84,406,557	32,846,989	14,766,372	536,699	0	132,556,617	52.2	33,640,056	29.0	132,556,617	0
<b>8. Credit Tenant Loans, Schedules D &amp; DA (Group 8)</b>											
8.1 Issuer Obligations .....						0	0.0	0	0.0		
8.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0
<b>9. Parents, Subsidiaries and Affiliates, Schedules D &amp; DA (Group 9)</b>											
9.1 Issuer Obligations .....						0	0.0	0	0.0		
9.2 Single Class Mortgage-Backed/Asset-Based Securities .....						0	0.0	0	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE- BACKED SECURITIES											
9.3 Defined .....						0	0.0	0	0.0		
9.4 Other .....						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE- BACKED/ASSET-BACKED SECURITIES											
9.5 Defined .....						0	0.0	0	0.0		
9.6 Other .....						0	0.0	0	0.0		
9.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	0



SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues												
Distribution by Type		1	2	3	4	5	6	7	8	9	10	11
		1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Col. 6 as a % of Line 10.7	Total From Col. 6 Prior Year	% From Col. 7 Prior Year	Total Publicly Traded	Total Privately Placed
10. Total Bonds Current Year												
10.1 Issuer Obligations		147,766,826	44,627,048	14,845,079	496,014	.0	207,734,967	81.9	XXX	XXX	207,734,967	.0
10.2 Single Class Mortgage-Backed/Asset-Backed Securities		4,148,649	15,231,809	8,019,092	4,003,064	449,010	31,851,624	12.6	XXX	XXX	31,851,624	.0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES												
10.3 Defined		224,797	1,244,008	.0	.0	.0	1,468,805	0.6	XXX	XXX	1,468,804	.0
10.4 Other		.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES												
10.5 Defined		1,383,444	8,615,129	2,606,555	40,685	.0	12,645,813	5.0	XXX	XXX	12,645,813	.0
10.6 Other		.0	.0	.0	.0	.0	.0	0.0	XXX	XXX	.0	.0
10.7 Totals		153,523,716	69,717,994	25,470,726	4,539,763	449,010	253,701,209	100.0	XXX	XXX	253,701,208	.0
10.8 Line 10.7 as a % of Col. 6		60.5	27.5	10.0	1.8	0.2	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year												
11.1 Issuer Obligations		62,216,322	31,395,280	7,750,641	.0	.0	XX	XX	101,362,243	87.3	101,362,243	.0
11.2 Single Class Mortgage-Backed/Asset-Backed Securities		.0	9,020,696	2,890,312	901,775	86,972	XX	XX	12,899,754	11.1	12,899,754	.0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES												
11.3 Defined		19,221	508,882	.0	.0	.0	XX	XX	528,103	0.5	528,103	.0
11.4 Other		.0	.0	.0	.0	.0	XX	XX	.0	0.0	.0	.0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES												
11.5 Defined		.0	1,343,156	.0	.0	.0	XX	XX	1,343,156	1.2	1,343,156	.0
11.6 Other		.0	1,792	.0	.0	.0	XX	XX	1,792	0.0	1,792	.0
11.7 Totals		62,235,543	42,269,806	10,640,952	901,775	86,972	XX	XX	116,135,048	100.0	116,135,048	.0
11.8 Line 11.7 as a % of Col. 8		53.6	36.4	9.2	0.8	0.1	XX	XX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds												
12.1 Issuer Obligations		147,766,825	44,627,049	14,845,080	496,014	.0	207,734,968	81.9	101,362,243	87.3	207,734,968	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities		4,148,649	15,231,810	8,019,092	4,003,064	449,010	31,851,625	12.6	12,899,754	11.1	31,851,625	XXX
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES												
12.3 Defined		224,797	1,244,008				1,468,805	0.6	528,103	0.5	1,468,805	XXX
12.4 Other							.0	0.0	.0	0.0	.0	XXX
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES												
12.5 Defined		1,383,444	8,615,129	2,606,555	40,685		12,645,813	5.0	1,343,156	1.2	12,645,813	XXX
12.6 Other							.0	0.0	1,792	0.0	.0	XXX
12.7 Totals		153,523,715	69,717,996	25,470,727	4,539,763	449,010	253,701,211	100.0	116,135,048	100.0	253,701,211	XXX
12.8 Line 12.7 as a % of Col. 6		60.5	27.5	10.0	1.8	0.2	100.0	XX	XX	XX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10		60.5	27.5	10.0	1.8	0.2	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds												
13.1 Issuer Obligations							.0	0.0	.0	0.0	XXX	.0
13.2 Single Class Mortgage-Backed/Asset-Backed Securities							.0	0.0	.0	0.0	XXX	.0
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES												
13.3 Defined							.0	0.0	.0	0.0	XXX	.0
13.4 Other							.0	0.0	.0	0.0	XXX	.0
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES							.0	0.0	.0	0.0	XXX	.0
13.5 Defined							.0	0.0	.0	0.0	XXX	.0
13.6 Other							.0	0.0	.0	0.0	XXX	.0
13.7 Totals		.0	.0	.0	.0	.0	.0	0.0	.0	0.0	XXX	.0
13.8 Line 13.7 as a % of Col. 6		.0	.0	.0	.0	.0	.0	XX	XX	XX	XXX	.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10		0.0	0.0	0.0	0.0	0.0	0.0	XX	XX	XX	XXX	0.0

SCHEDULE DA - PART 2

Verification of SHORT-TERM INVESTMENTS Between Years					
	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-term Investment Assets(a)	Investments in Parent, Subsidiaries and Affiliates
1. Book/adjusted carrying value, prior year .....	151,694,869	151,694,869	0	0	0
2. Cost of short-term investments acquired .....	270,820,690	270,820,690			
3. Increase (decrease) by adjustment .....	(1,186,880)	(1,186,880)			
4. Increase (decrease) by foreign exchange adjustment .....	0				
5. Total profit (loss) on disposal of short-term investments .....	(569)	(569)			
6. Consideration received on disposal of short-term investments .....	292,842,432	292,842,432			
7. Book/adjusted carrying value, current year .....	128,485,678	128,485,678	0	0	0
8. Total valuation allowance .....	0	0			
9. Subtotal (Lines 7 plus 8) .....	128,485,678	128,485,678	0	0	0
10. Total nonadmitted amounts .....	0				
11. Statement value (Lines 9 minus 10) .....	128,485,678	128,485,678	0	0	0
12. Income collected during year .....	1,680,512	1,680,512			
13. Income earned during year	2,018,644	2,018,644			

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment: .....

Schedule DB - Part A - VBY  
**NONE**

Schedule DB - Part B - VBY  
**NONE**

Schedule DB - Part C - VBY  
**NONE**

Schedule DB - Part D - VBY  
**NONE**

Schedule DB - Part E - VBY  
**NONE**

Schedule DB - Part F - Section 1  
**NONE**

Schedule DB - Part F - Section 2  
**NONE**

Schedule S - Part 1 - Section 2  
**NONE**

## ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

## SCHEDULE S - PART 2

**Reinsurance Recoverable on Paid and Unpaid Losses Listed by Reinsuring Company as of December 31, Current Year**

[illegible]

## ANNUAL STATEMENT FOR THE YEAR 2004 OF THE Priority Health

## SCHEDULE S - PART 3 - SECTION 2

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year

[illegible]

## SCHEDULE S - PART 4

[illegible]

Schedule S-Part 5  
Five-Year Exhibit of Reinsurance Ceded Business  
(000 Omitted)

	1 2004	2 2003	3 2002	4 2001	5 2000
<b>A. OPERATIONS ITEMS</b>					
1. Premiums.....	1,056	1,517	1,283	1,111	1,488
2. Title XVIII-Medicare.....	0	0	0	0	0
3. Title XIX-Medicaid.....	0	0	117	117	111
4. Commissions and reinsurance expense allowance.....		0	0	0	0
5. Total hospital and medical expenses.....		0	0	0	0
<b>B. BALANCE SHEET ITEMS</b>					
6. Premiums receivable .....		0	0	0	0
7. Claims payable.....		0	0	0	0
8. Reinsurance recoverable on paid losses.....	0	139	0	0	515
9. Experience rating refunds due or unpaid.....		0	0	0	0
10. Commissions and reinsurance expense allowances unpaid.....		0	0	0	0
11. Unauthorized reinsurance offset.....	0	0	0	0	0
<b>C. UNAUTHORIZED REINSURANCE (DEPOSITS BY AND FUNDS WITHHELD FROM)</b>					
12. Funds deposited by and withheld from (F).....	0	0	0	0	0
13. Letters of credit (L).....	0	0	0	0	0
14. Trust agreements (T).....	0	0	0	0	0
15. Other (O)	0	0	0	0	0

SCHEDULE S-PART 6  
Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

	1	2	3
	As Reported (net of ceded)	Restatement Adjustments	Restated (gross of ceded)
ASSETS (Page 2, Col. 3)			
1. Cash and invested assets (Line 10) .....	277,475,223		277,475,223
2. Accident and health premiums due and unpaid (Line 12).....	5,125,469		5,125,469
3. Amounts recoverable from reinsurers (Line 13.1).....	0		0
4. Net credit for ceded reinsurance.....	XXX	0	0
5. All other admitted assets (Balance).....	6,214,851		6,214,851
6. Total assets (Line 26)	288,815,543	0	288,815,543
LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7. Claims unpaid (Line 1).....	72,383,587	0	72,383,587
8. Accrued medical incentive pool and bonus payments (Line 2).....	35,588,611		35,588,611
9. Premiums received in advance (Line 8).....	16,525,719		16,525,719
10. Reinsurance in unauthorized companies (Line 18).....	0		0
11. All other liabilities (Balance).....	9,293,338		9,293,338
12. Total liabilities (Line 22).....	133,791,255	0	133,791,255
13. Total capital and surplus (Line 30).....	155,024,288	XXX	155,024,288
14. Total liabilities, capital and surplus (Line 31)	288,815,543	0	288,815,543
NET CREDIT FOR CEDED REINSURANCE			
15. Claims unpaid.....	0		
16. Accrued medical incentive pool.....	0		
17. Premiums received in advance .....	0		
18. Reinsurance recoverable on paid losses .....	0		
19. Other ceded reinsurance recoverables .....	0		
20. Total ceded reinsurance recoverables .....	0		
21. Premiums receivable .....	0		
22. Unauthorized reinsurance .....	0		
23. Other ceded reinsurance payables/offsets .....	0		
24. Total ceded reinsurance payable/offsets .....	0		
25. Total net credit for ceded reinsurance	0		



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## PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

[illegible]

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your annual statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

1.

Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?.....

YES [ ☐ ] NO [ ☒ ]
2.

Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?.....

YES [ ☒ ] NO [ ☐ ]
3.

Will an actuarial certification be filed by March 1?.....

YES [ ☒ ] NO [ ☐ ]
4.

Will the Risk-based Capital Report be filed with the NAIC by March 1?.....

YES [ ☒ ] NO [ ☐ ]
5.

Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?.....

YES [ ☒ ] NO [ ☐ ]
6.

Will the Life Supplement be filed the state of domicile and the NAIC by March 1? .....

YES [ ☐ ] NO [ ☒ ]
7.

Will the Property/Casualty Supplement be filed the state of domicile and the NAIC by March 1?.....

YES [ ☐ ] NO [ ☒ ]

APRIL FILING

8.

Will Management's Discussion and Analysis be filed by April 1?.....

YES [ ☒ ] NO [ ☐ ]
9.

Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile by April 1?.....

YES [ ☐ ] NO [ ☒ ]
10.

Will the Investment Risks Interrogatories be filed by April 1? .....

YES [ ☒ ] NO [ ☐ ]

JUNE FILING

11.

Will an audited financial report be filed by June 1 with the state of domicile? .....

YES [ ☒ ] NO [ ☐ ]

EXPLANATIONS:

1. n/a

6. n/a

7. n/a

9. n/a

BAR CODE:

1.

  
9 5 5 6 1 2 0 0 4 3 6 0 5 8 0 0 0

6.

  
9 5 5 6 1 2 0 0 4 2 0 5 0 0 0 0 0

7.

  
9 5 5 6 1 2 0 0 4 2 0 7 0 0 0 0 0

9.

  
9 5 5 6 1 2 0 0 4 3 3 0 5 8 0 0 0

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